

PROPOSED RESOLUTION

Resolution W-4987
DWA/ RSK/ BMD/ JB5/ MDC/ jp4

AGENDA ID #13123 (Rev. 2)
ITEM #14

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4987
August 14, 2014

R E S O L U T I O N

(RES. W-4987), SAN GABRIEL VALLEY WATER COMPANY (SAN GABRIEL). ORDER APPROVING SAN GABRIEL VALLEY WATER COMPANY'S REQUEST TO AMORTIZE AN UNDER COLLECTION OF \$ 1,800,788 IN ITS CALIFORNIA ALTERNATE RATES FOR WATER (CARW) MEMORANDUM ACCOUNT THROUGH A 12-MONTH SURCHARGE OF \$ 0.1308 PER HUNDRED CUBIC FEET.

By Advice Letter No. 432 filed on March 12, 2014.

SUMMARY

San Gabriel Valley Water Company (San Gabriel), a Class A water utility, seeks to amortize an under collection of \$1,800,788 as of December 31, 2013 in its California Alternate Rates for Water (CARW) Memorandum Account for its Los Angeles County Division through a 12-month surcharge of \$0.1192 per hundred cubic feet (Ccf).

The Division of Water and Audits (DWA) reviewed San Gabriel's request and finds the amortization of the under collection to be reasonable and recommends Commission approval. However, the tariff sheets included with Advice Letter (AL) 432 calculating the surcharge are in error. San Gabriel shall file a supplement to AL 432 consistent with the tariff sheets attached as Appendix A to this Resolution that are being approved. The CARW Memorandum Account should be closed and the balance authorized in this Resolution transferred to a balancing account to track its amortization. San Gabriel is authorized to establish a CARW Balancing Account to track costs and revenues for its CARW program beginning January 2014. San Gabriel should file a Tier 2 advice letter to implement the CARW Balancing Account into its tariff and to remove the CARW Memorandum Account from its Preliminary Statement in its tariff. The balance in the CARW Balancing Account should be reviewed for reasonableness as part of San Gabriel's next general rate case filing. San Gabriel should propose adjustments to its rates to amortize under- or over-collections in the context of the general rate case. Finally, as part of its next general rate case filing, San Gabriel should propose either to change the monthly service charge or establish a separate surcharge for non-participating CARW customers to fund the program prospectively to address under-

collections caused by significant increases in the qualified low-income participation rate over the last five years.

BACKGROUND

In 2006, San Gabriel established its CARW program for low income qualified customers. In Decision (D.) 05-05-015, the Commission authorized the implementation of San Gabriel's CARW low-income program along with the ratemaking treatment for the program. San Gabriel was authorized to reduce its monthly service charge by 50% to qualified low-income customers while maintaining the same quantity rate. The Commission authorized a service charge to non-qualified customers to fund the CARW program. San Gabriel proposed a balancing account to track CARW program costs and revenues.

Instead of a balancing account, the Commission authorized San Gabriel to establish a memorandum account to track costs and revenues. DWA examined San Gabriel's CARW memorandum account's entries. DWA confirms that San Gabriel's CARW program is correctly recording the authorized costs for the program and booking revenues to fund the program for the Los Angeles County Division for the period 2005 through 2013.

NOTICE AND PROTESTS

In accordance with General Rule 4.2 of General Order 96-B, San Gabriel gave notice to its customers of the proposed increase by bill insert. San Gabriel served copies of AL 432 in accordance with General Order 96-B, Water Industry Rule 4.1 and General Rules 4.3 and 7.2. Service was provided to San Gabriel's Service List on March 12, 2014. No protests to AL 432 were received.

DISCUSSION

San Gabriel's CARW Memorandum Account had increasing over-collections from the time the CARW program was initiated in August 2005 through the Fall of 2008, when the economic recession caused enrollment to significantly increase. During the period 2008 through 2012, enrollment in the CARW program increased from 6,365 participants (15% of residential customers) beginning in 2008 to 9,851 participants (24% of residential customers) at the end of 2012. Program costs began to exceed revenue funding levels on a monthly basis in September 2008. Though, the cumulative net balance in the CARW Memorandum Account remained positive (over collected) as late as July 2012.

In 2013, the CARW program enrollment further increased to over 17,000 customers (42% of residential customers). This was a result of the Commission's decision mandating data sharing of potentially eligible low-income customers between energy

and water utilities in D.11-05-020. The combined impact of the recession and the data sharing program has caused monthly under-collections in the CARW Memorandum Account beginning in the Fall of 2008 through the present such that the cumulative under-collection stands at \$1,800,788 as of December 31, 2013.

Proposed Ratemaking Treatment

San Gabriel proposes to add a surcharge of \$0.1192 per Ccf for twelve months to amortize the under-collection in the CARW Memorandum Account. The surcharge is calculated based on the under-collected balance of \$1,800,788 as of December 31, 2013 and the adopted water production figure of 16,366,327 Ccf less recycled sales provided under special contract of 1,256,339 Ccf that are not subject to surcharge. Instead, San Gabriel should have used the adopted potable water sales of 14,263,923 Ccf and added the correct authorized adopted sales of 230,529 Ccf for recycled water sales that are provided under the recycled water tariff. San Gabriel should have subtracted out 1,444,683 Ccf of CARW usage based on D.11-11-018 (San Gabriel and Office of Ratepayer settled on 15% of the total number of adopted residential customers in 2013 as the CARW enrollment rate). DWA has reviewed the documentation in support of the CARW Memorandum Account balance and the work papers in support of the surcharge calculation and finds San Gabriel's surcharge calculation to be incorrect. In calculating the surcharge, San Gabriel should have only excluded recycle sales provided under special contract and should not have included water losses. San Gabriel should also not apply the surcharge to the low-income tariff schedule. By doing so, San Gabriel is charging low-income participants to fund a portion of the discount they have received. The correct sales volume used to calculate the surcharge is 13,049,769 Ccf not the 15,110,088 (based on the potable water production figure) used by San Gabriel in AL 432. The tariff sheets included with AL 432 are not approved. Using the correct sales volume, the adopted surcharge figure is \$0.1308 per hundred cubic feet shown in Appendix A. San Gabriel should file a supplement to AL 432 consistent with the tariff sheets attached as Appendix A to this Resolution.

San Gabriel should close the CARW Memorandum Account and transfer the \$1,800,788 deficit to a balancing account to amortize the balance authorized in this Resolution. Further, San Gabriel is authorized to file a tier 2 advice letter to establish a CARW Balancing Account in the Preliminary Statement in its tariff. San Gabriel should book all CARW-related costs and revenues to the CARW Balancing Account beginning January 2014 with the termination of the CARW Memorandum Account as of December 31, 2013 when the balance authorized by this Resolution is transferred to a balancing account for recovery. Balances in the CARW Balancing Account will be reviewed in San Gabriel's next general rate case. San Gabriel should propose adjustments to its rates to amortize any under- or over-collections found to be reasonable as part of its next general rate case.

Finally, as part of its next general rate case filing, San Gabriel should propose either a change in the monthly service charge or establish a separate surcharge for non-

participating CARW customers to fund the CARW program prospectively to address under-collections caused by significant increases in the qualified low-income participation rate over the last five years.

COMMENTS

PU Code Section 311 (g)(1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this draft Resolution was mailed to the utility and made available for public comment on July 15, 2014.

San Gabriel Valley submitted comments to the draft resolution on August 4, 2014. DWA reviewed the comments which request a change in the sales figures by using actual CARW sales to calculate net sales used to calculate the amortization surcharge rate. In its comments, San Gabriel's request is to base the calculation of the surcharge rate on actual enrollment of CARW customers as of December 2013 times the average residential usage for a single family customer adopted in D.11-11-018. We decline to make the requested change. We have corrected the surcharge being approved in this Resolution by calculating it based on the Commission's recently adopted sales figure in D.11-11-018, including the adopted number of CARW customers, consistent with Commission practice.

FINDINGS AND CONCLUSIONS

1. On March 12, 2014, San Gabriel filed Advice Letter 432 requesting to amortize an under collection of a \$1,800,788 for its California Alternate Rates for Water Memorandum Account through a 12-month surcharge of \$0.1192 per hundred cubic feet (Ccf).
2. San Gabriel established the CARW program, a low income program for qualified customers, as directed by D.05-05-015.
3. San Gabriel has been under collecting the CARW Memorandum Account on a monthly basis since June 2008. The under collection results from the 2008 recession and increased CARW participation stemming from the Commission's decision mandating data sharing of potentially eligible low-income customers between energy and water utilities in D.11-05-020.
4. The Division of Water and Audits reviewed San Gabriel's documentation supporting the balance in the CARW Memorandum Account and finds the \$1,800,788 balance to be reasonable.
5. San Gabriel's calculation of the surcharge is incorrect in that it inappropriately excludes tariffed recycled water volumes and includes water losses in the

calculation. Thus, the surcharge shown in the tariff sheets attached to Advice Letter 432 is incorrect. The special condition incorporating the surcharge approved in this Resolution should not be included in Schedule No. LA-CARW serving low-income customers.

6. San Gabriel should file a supplement to Advice Letter 432 consistent with the tariff sheets approved in this Resolution and attached as Appendix A showing the correct surcharge amount of \$0.1308 per hundred cubic feet.
7. The CARW Memorandum Account should be closed and the balance authorized in this Resolution transferred to a balancing account for amortization.
8. San Gabriel should be authorized to establish a CARW Balancing Account.
9. San Gabriel should file a Tier 2 advice letter to: 1) remove the CARW Memorandum Account from the Preliminary Statement in its tariff, and 2) incorporate the CARW Balancing Account into the Preliminary Statement in its tariff. All costs and revenues related to its CARW program beginning January 2014 should be booked to this account. The account balance should be reviewed in San Gabriel's next general rate case.
10. San Gabriel should propose as part of its next general rate case application a change in the monthly service charge or establish a separate surcharge for non-participating CARW customers to fund the CARW program prospectively to address under-collections caused by significant increases in the qualified low-income participation rate over the last five years.

THEREFORE IT IS ORDERED THAT:

1. San Gabriel Valley Water Company is authorized to amortize the December 31, 2013 under collected balance in its California Alternate Rates for Water Memorandum Account of \$1,800,788 through a 12-month surcharge of \$0.1308 per hundred cubic feet. The attached tariff sheets in Appendix A to this Resolution are approved.
2. San Gabriel Valley Water Company shall file within five days of the effective date of this Resolution a supplement to Advice Letter 432 consistent with the tariff sheets attached in Appendix A to this Resolution. The tariff sheets shall be effective 5 days following the submittal of the supplement to Advice Letter 432.
3. San Gabriel Valley Water Company shall close the California Alternate Rates for Water Memorandum Account and transfer the \$1,800,788 balance as of December 31, 2013 to a balancing account to track amortization of the balance authorized in this Resolution. San Gabriel Valley Water Company shall file, as part of the Tier 2 advice letter in Ordering Paragraph #4, to remove the California Alternate Rates for

Water Memorandum Account from the Preliminary Statement in its tariff.

4. San Gabriel Valley Water Company shall file a Tier 2 advice letter to establish a California Alternate Rate for Water Balancing Account in the Preliminary Statement in its tariff. All costs and revenues related to the California Alternate Rate for Water program should be booked to this balancing account beginning January 2014. The costs and revenues booked to this account shall be reviewed for reasonableness as part of San Gabriel Valley Water Company's next general rate case. Proposed rate adjustments to amortize future under- or over-collections to this account shall also be reviewed in the context of the next general rate case.
5. San Gabriel Valley Water Company in its next general rate case application shall propose to either change the monthly service charge or establish a separate surcharge for non-participating customers to fund the California Alternate Rate for Water program prospectively to address under-collections caused by significant increases in the qualified low-income participation rate over the last five years.
6. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 14, 2014; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

APPENDIX A

SCHEDULE NO. LA-1
Los Angeles County Tariff Area
GENERAL METERED SERVICE
(continued)

<u>RATES</u> (continued)	<u>Per Battery</u> <u>Per Month</u>
For two 2-inch meters.....	\$ 335.00
For three 2-inch meters.....	505.00
For four 2-inch meters.....	673.00
For two 3-inch meters.....	631.00
For three 3-inch meters.....	946.00
For two 4-inch meters.....	1,050.00
For three 4-inch meters.....	1,576.00
For one 8-inch meter, one 2-inch meter.....	1,847.00

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcredit of \$0.0406 per Ccf is to be applied to the quantity rates for a 12-month period beginning on the effective date of Advice Letter 430-A to amortize the overcollection in the Cost of Capital Interim Rate Memorandum Account (CCIRMA).
3. A surcharge of \$0.1308 per Ccf is to be applied to the quantity rates for a 12-month period beginning on the effective date of Advice Letter 432-A to amortize the undercollection in the California Alternative Rates for Water (CARW) Memorandum Account. (N)
(N)
(N)
(N)

SCHEDULE NO. LA-IC
Los Angeles County Tariff Area
GENERAL METERED SERVICE- CONSERVATION RATES

APPLICABILITY

Applicable to all metered Residential customers, excluding apartments, trailer parks, and any other facility in which Residential customers receive service through a master meter.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Quantity Rates:

For the first 13 Ccf of water used, per 100 cu. ft.	\$ 2.4833
For all Ccf greater than 13 Ccf, per 100 Cu. Ft	\$ 2.8387

	<u>Per Meter</u> <u>Per Month</u>
Service Charges:	
For 5/8 x 3/4-inch meter	\$ 21.02
For 3/4-inch meter	31.52
For 1-inch meter.....	52.52
For 1-1/2-inch meter	105.06
For 2-inch meter.....	168.10
For 3-inch meter.....	315.16

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcredit of \$0.0406 per Ccf is to be applied to the quantity rates for a 12-month period beginning on the effective date of Advice Letter 430-A to amortize the overcollection in the Cost of Capital Interim Rate Memorandum Account (CCIRMA).
3. A surcharge of \$0.1308 per Ccf is to be applied to the quantity rates for a 12-month period beginning on the effective date of Advice Letter 432-A to amortize the undercollection in the California Alternative Rates for Water (CARW) Memorandum Account. (N)
(N)
(N)

SCHEDULE NO. LA-6
Los Angeles County Tariff Area
RECYCLED WATER METERED SERVICE
(continued)

RATES – (continued)

	<u>Per Battery</u> <u>Per Month</u>
For two 2-inch meters.....	\$ 335.00
For three 2-inch meters.....	505.00
For four 2-inch meters	673.00
For two 3-inch meters.....	631.00
For three 3-inch meters.....	946.00
For two 4-inch meters.....	1,050.00
For three 4-inch meters.....	1,576.00
For one 8-inch meter, one 2-inch meter.....	1,847.00

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for reclaimed water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. The Quantity Rate is set at 85% of the Quantity Rate of Schedule No. LA-1.
2. The customer is responsible for compliance with all local, state, and federal rules and regulations that apply to the use of reclaimed water on the customer's premises.
3. The utility will supply only such reclaimed water at such pressure as may be available from time to time from the reclaimed water system. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service under this schedule.
4. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
5. A surcredit of \$0.0406 per Ccf is to be applied to the quantity rates for a 12-month period beginning on the effective date of Advice Letter 430-A to amortize the overcollection in the Cost of Capital Interim Rate Memorandum Account (CCIRMA).
6. A surcharge of \$0.1308 per Ccf is to be applied to the quantity rates for a 12-month period beginning on the effective date of Advice Letter 432-A to amortize the undercollection in the California Alternative Rates for Water (CARW) Memorandum Account.

(N)
(N)
(N)

END OF APPENDIX A

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-4987 on all parties in these filings or their attorneys as shown on the attached lists.

Dated July 15, 2014, at San Francisco, California.

/s/ JENNIFER PEREZ

Jennifer Perez

Parties should notify the Division of Water and Audits, Fourth Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

SAN GABRIEL VALLEY WATER COMPANY
ADVICE LETTER NO. 432
SERVICE LIST

City of Arcadia
240 West Huntington Drive
Arcadia, CA 91006

City Clerk, City of Rosemead
8838 Valley Boulevard
Rosemead, CA 91770

City Clerk, City of Baldwin Park
14403 East Pacific Avenue
Baldwin Park, CA 91706

City Clerk, City of San Gabriel
425 South Mission Drive
San Gabriel, CA 91778

California-American Water Company
1033 B Ave. Suite 200
Coronado, CA 92118-3439

San Gabriel County Water District
8366 East Grand Avenue
Rosemead, CA 91770

City of El Monte Water Department
11333 Valley Boulevard
El Monte, CA 91734

City of Santa Fe Springs Water Department
Post Office Box 2120
Santa Fe Springs, CA 90670

City of Industry Waterworks System
Post Office Box 3136
La Puente, CA 91744

City Clerk, City of South El Monte
1415 Santa Anita Avenue
South El Monte, CA 91733

City Clerk, City of Irwindale
5050 North Irwindale Avenue
Irwindale, CA 91706

Golden State Water Company
Attn: Ronald Moore, Regulatory Affairs
630 East Foothill Boulevard
San Dimas, CA 91773

City Clerk, City of La Puente
15900 East Main Street
La Puente, CA 91744

Suburban Water Systems
Attn: Bob Kelly
1325 N. Grand Ave., Suite 100
Covina, CA 91724

La Puente Valley County Water District
112 North 1st Street
La Puente, CA 91744

Valley County Water District
14521 East Ramona Boulevard
Baldwin Park, CA 91706

City of Montebello Water Department
1600 West Beverly Boulevard
Montebello, CA 90640

City of Whittier Water Department
13230 East Penn Street
Whittier, CA 90602

City of Monterey Park Water Department
320 West Newmark Avenue
Monterey Park, CA 91754

California Public Utilities Commission
Office of Ratepayer Advocates
505 Van Ness Avenue
San Francisco, CA 94102-4208

City of Pico Rivera Water Department
6615 Passons Boulevard
Pico Rivera, CA 90660

Kiki Carlson
Suburban Water Systems
kcarlson@swwc.com

Pico Water District
Post Office Box 758
Pico Rivera, CA 90660-0758

City Clerk, City of West Covina
1444 West Garvey Avenue
West Covina, CA 91790